



May 13, 2013

Senate Committee on Transportation
100 Farnum Building
Lansing, MI 48909

Re: Senate Bills 915-918

Dear Committee Members,

My name is Stephen Dedene and I am the Manager of Compliance and Regulatory Affairs for Credit Union ONE. I would like to thank the committee for the opportunity to testify today regarding Senate Bills 915-918. Credit Union ONE is an \$830 million dollar credit union headquartered in Oakland County with over 111,000 members and 17 branches located in Oakland, Macomb, Wayne, Grand Traverse, and Kent Counties. Credit Union ONE supports Senate Bills 915-918.

Senate Bills 915-918 amend the Michigan Vehicle code which allows the State of Michigan to transition from a paper based vehicle titling system to an electronic system. The current system is outdated, inefficient, burdensome and open to a heightened fraud risk. The proposed bills will enhance the titling system, streamline the process, remove a much needed regulatory hurdle, reduce the risk of fraud, and utilize available technology to create much needed efficiencies.

In 2013, Credit Union ONE funded processed 2,059 vehicle refinances and 729 private party deals. In order to process a refinance under the current system the owner of the vehicle must bring their paper title with them to the loan closing. Once presented with the paper title the credit union will have the member complete a paper application for Michigan vehicle title with the credit union listed as the secured party. We will also generate and send a request for termination of the lien to the current secured party asking to send the statement upon receipt of payment. Once the credit union receives the termination statement we take the existing paper title, application for Michigan vehicle title, termination statement, and tile processing check to the Secretary of State for processing. Assuming everything is in order we will receive a receipt and the title with our security interest will be sent to the owner of the vehicle.

This is a very tedious and lengthy process which can take anywhere from 7-30 days depending on how quickly the prior secured party receives and processes the payment and sends the termination statement. Any errors on the existing title or title application can also result in delay. The amount of work that goes into title processing and the volume of transactions require the credit union to have one employee dedicated to title processing.

The current system is also susceptible to fraud whereby individuals either create fictitious termination statements or fraudulently sign the security interest away on the actual paper title. When this happens an individual is able to remove the security interest in the vehicle, sell the vehicle, and have a new free and clear title issued. In these instances financial institutions are left with a vehicle loan where payments are no longer being made, the borrower no longer has the vehicle, and the vehicle cannot be



located. According to the Combined Auto Theft Unit in Grand Rapids, three area men were arrested in late March 2013, for allegedly erasing lien holder information on titles in order to take out multiple loans on the same vehicle. The scam ran for three months costing nine credit unions and banks at least \$200,000.

Senate Bills 915-918 will allow the Secretary of State to develop a new electronic vehicle titling system that will address all of the issues mentioned above. With an E-Titling system, lenders will be able to check the status of liens on existing vehicles before granting a loan and release security interest on a vehicle in a timely manner electronically. A centralized electronic database would be created to house all vehicle titles. We would no longer need to send requests for termination statements, wait to receive the statement from the prior secured party, or take paper titles to the Secretary of State for processing. Additionally, most errors would be eliminated since lien holders would be able to better manage titles they have a security interest in.

These enhancements will also reduce the burden on our members and provide them with confidence in the process and peace of mind knowing they do not have to safeguard their title. In addition to streamlining the process, the bills would significantly reduce the probability of fraud and add additional violations for falsifying release of liens. They also include provisions that would require those who commit these crimes to pay restitution.

Finally, these bills will enable the credit union to provide more vehicle loan closing options to our members. As enhancements in technology occur and members desire quicker and more efficient services, we must be able to meet their demands. We must be there for them when they want, not just from nine to five, and using a method of their choosing. It is not good enough to only have an option to close a loan in a branch. It is exciting to think of the possibilities that may exist with the passage of these bills.

Credit Union ONE supports Senate Bills 915-918 and I respectfully ask members of the committee to support these bills.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen Dedene", written over a light blue horizontal line.

Stephen Dedene
Manager, Compliance and Regulatory Affairs
Credit Union ONE

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Digital Title Fraud Fight Makes Case for ELT

By Michelle A. Samaad (<http://www.addthis.com/bookmark.php?v=300&winname=addthis&pub=ra/author/michelle-a-samaad>)
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If ever there was a case for moving from paper vehicle titles to an electronic system, advocates might point to a recent occurrence in Michigan.

According to the Combined Auto Theft Unit in Grand Rapids, Mich., three area men were arrested in late March for allegedly erasing lien holder information on titles in order to take out multiples loans on the same vehicle.

Local media outlets reported the suspects sought loans for vehicles that were no more than \$2,500. However, loans were obtained for up to six times the value of the autos. In some cases, the loans were secured for nearly \$14,000, according to police officials.

The scam began in mid-December, ran for three months and allegedly bilked nine credit unions and banks out of at least \$200,000, according to the CATU. The names of the financial institutions were not released.

Among the vehicles obtained by the three suspects were a 2007 Chevrolet pickup, a 2005 Cadillac and a 2000 Chevrolet pickup.

Police officials said some of the money obtained was used to support a gambling habit. The suspects are set to be charged with conducting criminal enterprises.

According to the Consumer Federation of America, title-related car fraud costs consumers up to an estimated \$11.3 billion each year. Criminals involved in domestic auto theft enterprises are often perpetrators of violent crimes, such as homicide and drug trafficking, law enforcement investigation data from the National Motor Vehicle Title Information System has shown. The NMVTIS is an electronic system designed to protect consumers from fraud and unsafe vehicles and to keep stolen vehicles from being sold by working with law enforcement agencies.

While figures may be hard to track, the amount of title-related fraud incidents that cause financial losses for lenders might be higher than the \$11 billion impact on consumers.

One way some states are hoping to significantly curtail those losses is adopting an electronic lien and title system. Instead of a state's department of motor vehicles mailing a paper title to a financial institution, an electronic lien is stored.

“ELT would have absolutely prevented what happened in Michigan,” said Larry Highbloom, president of VINTek, a Philadelphia-based provider of automotive collateral management services including ELT services for credit unions and other lenders. “ELT fights fraud because there’s not a paper title while the lien is active.”

Highbloom emphasized ELT would only reduce risk for titles moved to an electronic system.

Eighteen states now require lenders to use ELT. Georgia and Florida were the latest to make the transition in January. Highbloom said Iowa may be the next.

In Michigan where the alleged scam took place, paper titles are sent to consumers even with a lien, Highbloom said. This type of arrangement can present more opportunities for deception because of the paper titles. However, Michigan is currently looking at strategies to reduce this fraud, he added.

Still scammers are engaging in crimes such as lien release fraud, Highbloom said. The perpetrators will go to a financial institution's website, take a picture of its logo, get a person's vehicle identification number and send a no-interest letter to the car owner, indicating there is no longer a lien interest from the lien holder.

The perpetrator will then take the letter to a DMV office, pay a fee and get a title without a lien. Or the fake no-interest letter is taken to a title loan store to get a loan against the vehicle. ELT may eliminate these scams because the only way to release a lien is by the credit union sending a transaction directly to the DMV